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## Q3 2025 Newsletter

### Economy & Market Valuation

The US stock market climbed to another all-time high in the 3<sup>rd</sup> quarter of 2025. The US stock market, as measured by the S&P 500 Index, gained approximately 8% in the third quarter of 2025. We see two key reasons for the continued climb in the US stock market. The first is - anticipated cuts in interest rates by the Federal Reserve (Fed). The second is - continued investment in Artificial Intelligence (AI).

The Fed cut interest rates in September for the first time in 2025. It is the first cut in a series of expected rate cuts. We anticipate one or two more interest rate cuts in 2025, followed by additional cuts in 2026. Interest rate cuts are, in general, positive for the stock market and economy. It lowers the borrowing cost for mortgages, car loans and corporate borrowing. Interest rate cuts generally happen when US economy is slowing down or is in recession. The rate cuts now are happening when the US economy is not in recession, which is a big positive for the stock market. Rate cuts could accelerate in 2026 as current Fed chair Powell will retire in May 2026. He is likely to be replaced by somebody who is more dovish on interest rates.

AI is attracting investment to the tune of hundreds of billions of dollars. You must have seen announcements by Open AI, Google, Amazon, Meta, Core Weave and others about investing billions of dollars in data centers being built for AI. We believe that AI is a transformative technology, and no technology company wants to be left behind. Such

significant investment into data centers is benefiting semiconductor firms, electricity and construction companies and many others. We do not see the AI investment trend reversing any time soon.

### 2025 investment strategy

As mentioned in our last quarterly letter, we are almost 100% invested in the market in the companies based on the key themes of AI investment and reduction in interest rates. In the last quarter, we further increased our positions in the companies which are going to benefit from AI.

We are repeatedly asked the question as to whether we see a recession on the horizon. We do not see a recession in the US in the near term. We do see a slowdown in the US economy but not a recession. Reduction in interest rates and continuous investment in AI is reducing the odds of US recession.

We plan to stay fully invested in the market. Of course, we are constantly watching various economic indicators. If we see a deterioration, we will take necessary action.